

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter Of:

DELTA NATURAL GAS COMPANY, )  
INC., APPLICATION FOR AD- )  
JUSTMENT OF RATES UNDER ) CASE NO. 8256-A  
PURCHASED GAS ADJUSTMENT )  
CLAUSE )

O R D E R

On December 1, 1981, this Commission issued its Order in Case No. 8256, approving certain adjustments in the rates of Delta Natural Gas Company, Inc., ("Delta") and providing under certain conditions for the further adjustments of rates when the wholesale cost of gas is increased, decreased or refunds are received.

On December 14, 1981, Delta notified the Commission that it had received from several of its suppliers a wholesale gas rate revision to become effective January 1, 1982.

On December 22, 1981, Delta filed an amendment to its filing of December 14, 1981, and submitted with its notice certain information in compliance with its purchased gas adjustment on file with this Commission.

On December 3, 1981, Delta received from one of its suppliers, Tennessee Gas Pipeline Company ("Tennessee") notification of a rate increase effective January 1, 1982, as reflected in Tennessee's fourth revised tariff sheet no. 20 and third revised tariff sheet no. 21.

On December 4, 1981, Delta received from one of its suppliers, Columbia Gas Transmission Corporation ("Columbia") notification of a rate increase effective January 1, 1982, as reflected in Columbia's seventy-eighth revised tariff sheet no. 16 and twenty-sixth revised tariff sheet no. 16A.

On July 27, 1981, Delta entered into an agreement to purchase natural gas from Al J. Keyser and Associates produced in Knox County, Kentucky.

On January 1, 1982, Delta shall experience an increase in the wholesale cost of gas purchased from the Weaver Oil & Gas Corporation ("Weaver") in Bell County, Kentucky, in accordance with the escalator clause in the contract dated August 16, 1978, a copy of which is on file with the Commission.

Delta's subsidiary Laurel Valley Pipe Line Company ("Laurel Valley") shall experience an increase in the wholesale cost of gas it purchases locally from the Weaver-Hamilton partnership under the contract dated May 20, 1980. The purchase price for gas purchased under this agreement is subject to Section 102 of the Natural Gas Policy Act of 1978. Laurel Valley resells and delivers a portion of the gas to Delta at Laurel Valley's wholesale cost.

The estimated annual increase in revenue as a result of Delta's filing of December 22, 1981, is \$668,567 or \$0.1120 per Mcf.

Delta, in compliance with its tariff and previous Orders of this Commission, submitted with its notice certain information including verification of the rates and charges of its suppliers.

After reviewing this evidence of record and being advised, the Commission is of the opinion and finds that:

(1) On November 9, 1978, the Natural Gas Policy Act of 1978 was signed into law which established significantly higher rates for producers of certain categories of natural gas. This federal legislation has resulted in higher costs to interstate pipeline companies serving the various gas consuming states, including Kentucky. Once the FERC approves the right of these interstate transmission companies to pass this increased cost on to its distribution company customers, state commissions must, in turn, allow intrastate distributors to pass their increased cost on to their customers by adjusting the basic rates.

(2) The Commission has long stated (in writing to FERC) its opposition to the procedures and regulations used by the FERC in approving these supplier increases. We continue to be opposed and are continuing to seek alternative ways to overcome the regulatory inequities which have such a direct impact on the retail consumers.

(3) The FERC approval of a wholesale rate increase to a Kentucky gas retailer requires approval of the Commission of rates that will permit the Kentucky utility to adjust its customer charges to reflect the added purchase cost, or alternately the utility must absorb the added cost. We are of the opinion that

failure to allow this increase to be passed through to its retail consumers on a timely basis would be unjust to Delta and would ultimately result in higher rates to their consumers in any event.

(4) When the FERC "accepts" Tennessee and Columbia's filings, Tennessee and Columbia will begin charging Delta the new rates. The revised rates from these suppliers cannot be implemented until and unless this occurs.

(5) Delta's notice of December 22, 1981, did not provide the Commission with the 20 day statutory notice, therefore, the revised rates sought in this filing will become effective on and after January 11, 1982, pending final determination by FERC.

(6) The Commission should allow Delta to place into effect, subject to refund, the revision in rates sought by Tennessee and Columbia as soon as their filings are "accepted" by FERC, but not prior to January 11, 1982.

(7) On July 27, 1981, Delta entered into an agreement to purchase natural gas from Al J. Keyser and Associates produced in Knox County, Kentucky, at a rate of \$1.50 per Mcf.

(8) On January 1, 1982, Delta shall experience an increase in the wholesale cost of gas purchased from Weaver in Bell County, Kentucky, in accordance with the escalator clause in the contract dated August 16, 1978, in the amount of \$0.01 per Mcf.

(9) Delta's subsidiary Laurel Valley shall experience an increase in the wholesale cost of gas it purchases locally from Weaver-Hamilton partnership under the contract dated May 20, 1980, in the amount of \$0.1162 per Mcf.

IT IS THEREFORE ORDERED that the purchased gas adjustment contained in Appendix A of this Order be and hereby is approved, effective on and after the increase in the cost of wholesale gas requested by Columbia and Tennessee is accepted by FERC, but not prior to January 11, 1982.

IT IS FURTHER ORDERED that the rates contained in Appendix A shall be placed into effect, subject to refund, pending final determination by FERC of the rates contained in Tennessee's November 30, 1981, filing in Docket No. RP82 and Columbia's December 1, 1981, filing in Docket No. RP81-83.

IT IS FURTHER ORDERED that Delta shall maintain its records in a manner that will enable it or the Commission or any of its customers to determine the amount to be refunded and to whom due in the event a refund is ordered by the Commission.

IT IS FURTHER ORDERED that within 30 days after the date of this Order, Delta shall file with this Commission its revised tariff sheets setting out the rates approved herein.

IT IS FURTHER ORDERED that the information furnished this Commission by Delta on December 14, 1981, and December 22, 1981, constitutes full compliance with the Commission's requirements and Order in Case No. 8256, and any other information ordinarily required to be filed under the Commission's regulations is hereby waived.

Done at Frankfort, Kentucky, this 20th day of January, 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Voh  
For the Commission

ATTEST:

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Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE  
COMMISSION IN CASE NO. 8256-A DATED  
JANUARY 20, 1982

The following rates and charges are prescribed for the customers in the areas served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

RATE SCHEDULE G-GENERAL SERVICE

APPLICABILITY:

Applicable within all service areas served by Delta namely: Owingsville, Sharpsburg, Salt Lick, Midland, Bath County, Camargo, Jeffersonville, Montgomery County, Frenchburg, Menifee County, Kingston-Terrill, Berea, Madison County, Stanton, Clay City, Powell County, Garrard County, Nicholasville, Wilmore, Jessamine County, Clearfield, Farmers, Rowan County, Middlesboro, Pineville, Bell County, Barbourville, Knox County, Corbin, Williamsburg, Whitley County, London, Laurel County, Oneida, Manchester, Clay County, Leslie County, and environs of each.

AVAILABILITY:

Available for general use by residential, commercial, and industrial customers.

CHARACTER OF SERVICE:

Firm-with the reasonable limits of the company's capability to provide such service.

RATES:

GENERAL SERVICE -

Monthly Customer Charge	\$2.75 per delivery point per month
1 - 5,000 Mcf	\$4.4381 per Mcf
5,001 - 10,000 Mcf	4.1881 per Mcf
Over 10,000 Mcf	3.9381 per Mcf

INTERRUPTIBLE:

1 - 5,000 Mcf	\$4.1881 per Mcf
5,001 - 10,000 Mcf	3.9381 per Mcf
Over 10,000 Mcf	3.6881 per Mcf

The refund factor of \$0.10 per Mcf monthly established in PGA Case 7202-U is to be deducted from all customers until refund is completed.

PURCHASED GAS ADJUSTMENT:

Delta Natural Gas Company, Inc.

Applicable to all rate schedules

The base rate for purchased gas for the future application of this Purchased Gas Adjustment Clause is:

<u>Supplier</u>	<u>Rate/Mcf or Dth</u>
Columbia Gas Transmission Corp.	
Rate Schedule CDS	
Demand (Dth)	\$2.62
Commodity (Dth)	3.3943
Rate Schedule SGS (Dth)	\$3.5666
Columbia LNG Corporation	5.4553*
*Includes Transportation Charge of \$0.3503	
Tennessee Gas Pipeline Company	
Gas rate (Dth)	\$2.7145
Commodity	0.6673
Graham-Michaelis Corporation	\$1.75
Flat Lick	0.35
Evans	0.94
Wiehoff	1.39
Hall-Martin	0.40
Goff	0.40
Weaver	1.83
Robert Martin	1.75
Laurel Valley	3.1162
Wiser Oil Company	2.17
John Owens	1.8288
Al J. Keyser	\$1.50
Storage	2.8204